



**The AES Corporation
Financial Review Call Script
First Quarter 2024**

Susan Harcourt: Thank you, Operator. Good morning and welcome to our First Quarter 2024 Financial Review Call. Our press release, presentation and related financial information are available on our website at aes.com.

Today we will be making forward-looking statements. There are many factors that may cause future results to differ materially from these statements, which are disclosed in our most recent 10-K and 10-Q filed with the SEC.

Reconciliations between GAAP and non-GAAP financial measures can be found on our website, along with the presentation.

Joining me this morning are Andrés Gluski, our President and Chief Executive Officer; Steve Coughlin, our Chief Financial Officer; and other senior members of our management team.

With that, I will turn the call over to Andrés.

Andrés Gluski: Good morning, everyone, and thank you for joining our first quarter 2024 financial review call. We are very pleased with our progress so far this year and today, I will discuss our first quarter results and provide key business updates. Steve Coughlin, our CFO, will give more detail on our financial performance and outlook.

Beginning on Slide 3, with our first quarter results. We had a strong first quarter that was in line with our expectations, with Adjusted EBITDA with Tax Attributes of \$863 million, Adjusted EBITDA of \$635 million, and Adjusted EPS of \$0.50. These results demonstrate, once again, our ability to execute on our plans and guidance, and our structural resilience to high interest rates and inflation. I am pleased to reaffirm our 2024 guidance for all metrics and growth rates through 2027.

Today I will be discussing the success we have achieved with technology companies and data centers, as well as the significant market opportunity that we see for renewables growth for the foreseeable future.

Turning to Slide 4. I am happy to announce that this quarter we signed a 15-year contract with Amazon for the second phase of our Bellefield project, with an

additional 500 MW of solar and 500 MW of storage. The entire project, including Bellefield 1, which we contracted last year, will provide 2 GW of combined solar and storage for Amazon, making it the biggest solar-plus-storage project in the US. We see the 2 GW Bellefield solar-plus-storage project as a milestone for AES, and a demonstration of the important role that renewables play in delivering new energy. The significant energy storage component, which includes AES' proprietary AI weather forecasting, ensures the project is able to supply carbon-free energy throughout the day.

Turning to Slide 5. With this project, we now have nearly 6 GW of long-term contracts directly with technology companies, making AES among the largest energy providers to data centers. This does not include more than 500 MW of contracts signed with utilities to serve data center customers. We are fully supporting the commitments that Google, Microsoft, Amazon and others have made to procure not just carbon-free energy, but specifically additional renewables.

Turning to Slide 6. Across the US, power demand is forecasted to increase significantly over the next decade, driven by factors such as data center growth, onshoring of manufacturing, and electrification of mobility. There is no

technology better suited to serve this load growth than wind and solar, particularly when combined with energy storage.

Turning to Slide 7. Even using data that is more than a year old, renewables clearly offer the lowest Levelized Cost of Energy, or LCOE, of any new build, on an unsubsidized basis. They provide a source of predictable energy that is not impacted by fuel availability or price volatility. Furthermore, renewables are substantially better placed than any other form of power to actually come online over the next decade when power shortages are likely to be most acute.

Nowhere is this clearer than in the interconnection queues, which as you can see on Slide 8 are dominated by renewable projects. Looking at 2024 as an example, 95% of the capacity additions in the US are expected to come from solar, energy storage and wind.

A major part of this growth is coming from energy storage, whose installed capacity is expected to double by the end of the year. Given our role in creating and first commercializing grid-scale lithium-ion-based energy storage, it fills me with great satisfaction to see that the two largest economies in the country, California and Texas, now get more than 10% of their dispatchable capacity from

batteries. We are now even seeing periods of the day in California when energy storage is the single largest source of power on the grid.

Turning to Slide 9. Among renewables developers, AES is best positioned to address corporate load growth. We have the scale and experience to bring projects to market in the most cost-efficient way. Our flexibility and ability to innovate give us a competitive advantage with our large customers, just as it led to our early partnerships with data center companies. We also have the best track record in the market of supply chain management and bringing projects online on time and on budget.

As you can see on Slide 10, we have a pipeline of 66 GW not including prospects, with projects ranging in maturity from early stage to late stage. Let me emphasize that all of the projects in our pipeline include some degree of land control as well as interconnection filing. In addition, rather than pursuing just total MW, we have taken a strategic approach to building our pipeline, focusing on those markets and sites where we see the most significant demand and where we are best positioned to add value. The breadth and maturity of this pipeline, both in terms of market and interconnection queue positions, provides us with a meaningful competitive advantage and line of sight into future growth.

As I mentioned in February, our historical results combined with accelerating demand for our renewables projects led us to increase our US project return expectations by 200 basis points, to 12% to 15%, on a levered, after-tax, cash basis, and raise our long-term guidance for both EBITDA and EPS.

With 1.2 GW of new contract signings since our Q4 call in February, including Bellefield 2, we now have a backlog of signed contracts of 12.7 GW. We have also added almost 600 MW of new projects to our operating portfolio, including the completion of Chevelon Butte, which is the largest wind project in the state of Arizona, and Delta, which is the first utility-scale wind project in the state of Mississippi.

With these additions to our operating fleet, and the good progress we are making on our projects currently under construction, we remain fully on track to add a total of 3.6 GW of new capacity this year. I should note that for the remaining projects coming online in 2024, we have 92% of the major equipment already onsite, including virtually all of our solar modules, and more than half of our solar modules for 2025. Our diversified and resilient supply chain has been, and will continue to be, one of our differentiators.

Turning to our utilities on Slide 11. In mid-April, AES Indiana achieved a critical milestone with the approval of its rate case by the Indiana Utility Regulatory Commission. Resolving the rate case provides us a constructive regulatory foundation for our investments focused on reliability, resiliency and customer experience, and allows us to partially recover accumulated inflation since our last rate case in 2017. The \$71 million rate case increase includes an ROE of 9.9%, demonstrating the Commission's support for investments that strengthen the overall system reliability and drive value for customers.

In late February, we also closed on the acquisition of the 106 MW Hoosier Wind project, providing long-term savings to our customers, while also adding to AES Indiana's portfolio of renewable projects. AES Indiana's latest Integrated Resource Plan, or IRP, includes a commitment for the addition of 1,300 MW of wind, solar and energy storage over the next five years.

At AES Ohio, we continue to execute on our growth plan, stemming from our new rate case structure, ESP 4, put in place in Q3 of last year, as well as our Smart Grid program and FERC-formula investment in transmission. By the end of the program, AES Ohio will still maintain the lowest rates in the state across all customer classes. As a reminder, approximately 80% of AES Ohio's planned

investments through 2027 are already approved or under FERC formula rate programs.

Across our two utilities, our Q1 investment was up nearly 100% from last year as a result of the new rate structures and investing to improve system resilience and customer experience. Looking ahead, we now have a clear line of sight to \$4 billion of our total utility capital program of \$5.3 billion through 2027. We are also seeing the potential for further upside from the growing interest from data center providers who see our service territory as a desirable location for growth. With double-digit rate base growth throughout our plan horizon, we believe they represent one of the fastest growing utility investment opportunities in the country.

With that, I now would like to turn the call over to our CFO, Steve Coughlin.

Stephen Coughlin: Thank you, Andrés, and good morning, everyone. Today I will discuss our first quarter results, and our 2024 guidance and Parent capital allocation. Following that I will provide a deeper dive into our low-risk, highly efficient capital structure which is important for everyone to understand.

Turning to Slide 13, Adjusted EBITDA with Tax Attributes was \$863 million in the first quarter versus \$641 million a year ago. This was driven primarily by contributions from the roughly 600 MW of new renewables we brought online.

Turning to Slide 14, Adjusted EPS for the quarter was 50 cents versus 22 cents last year and in line with our expectations. Drivers were similar to those of Adjusted EBITDA with Tax Attributes, but also included higher Parent interest expense and a lower adjusted tax rate. These results include approximately 8 cents of tax benefits, consistent with our expectations, which were associated with steps we took this quarter to transition to a more US-oriented holding company structure that is better aligned with our significant US growth. In the future, we may recognize further benefits from our revised, simpler structure, although likely of a smaller magnitude. We continue to expect an adjusted tax rate of 23% to 25% for the full year, excluding the impact of tax credit transfers, which we are showing at the SBU-level for simplicity. I'll cover the performance of our SBUs, or Strategic Business Units, on the next four slides.

Beginning with our Renewables SBU on Slide 15, higher EBITDA with Tax Attributes was driven primarily by contributions from new businesses, but was partially offset by lower renewable resource in Panama and Brazil.

Higher Adjusted PTC at our Utilities SBU was mostly driven by favorable weather in the US, as well as higher revenues from investments in our rate base. This was partially offset by interest expense on new borrowings to fund future growth.

Relatively flat EBITDA at our Energy Infrastructure SBU primarily reflects prior year higher LNG transaction margins and the sell-down of our gas and LNG businesses in Panama and the Dominican Republic. This was partially offset by higher revenues recognized from the accelerated monetization of the PPA at our Warrior Run plant.

Finally, higher EBITDA at our New Energy Technologies SBU reflects continued margin improvement at Fluence.

Now turning to our guidance on Slide 19. We are reaffirming our 2024 Adjusted EBITDA with Tax Attributes guidance of \$3.6 to \$4 billion and 2024 Adjusted EBITDA guidance of \$2.6 to \$2.9 billion. We expect to continue to see strong growth in our renewables and utilities businesses, partially offset by short-term dilution from continued execution on our \$3.5 billion asset sale target through 2027.

We are also reaffirming our 2024 Adjusted EPS guidance of \$1.87 to \$1.97. Our earnings will have similar drivers to Adjusted EBITDA with Tax Attributes, but will also be impacted by a lower adjusted tax rate and higher Parent interest. We anticipate a more even distribution of cash and earnings throughout the year, with nearly half of earnings expected to come in the first half, versus only 25% in 2023.

Now to our 2024 Parent capital allocation plan on Slide 20. Sources reflect approximately \$3 billion of total discretionary cash, including \$1.1 billion of Parent Free Cash Flow, \$900 million to \$1.1 billion of proceeds from asset sales, and \$900 million to \$1 billion of planned Parent debt issuance. As a reminder, we limit any Parent debt issuance to a level consistent with our Investment Grade credit metrics. We continue to be very pleased with the great progress toward our \$3.5 billion asset sale program, which will limit and may eliminate any need for future Parent equity issuance throughout our long-term guidance period.

On the right-hand side you can see our planned use of capital. We will return approximately \$500 million to shareholders this year, reflecting the previously announced 4% dividend increase. We also plan to invest approximately \$2.6

billion toward new growth, of which 85% will go to renewables and utilities. One of our strengths is the flexibility we maintain in our capital plan across both sources and uses. As we have for many years, we will continue to execute on opportunities to rotate capital across the portfolio in a manner that creates shareholder value.

Next, I want to take a moment to discuss how we manage our balance sheet on Slide 21. First, we utilize non-recourse debt to fund our growth. Approximately 82% of the debt on our balance sheet is non-recourse to AES Corp., meaning it is only secured at the relevant subsidiary level. This important structural component limits our risk at the Parent Company to the equity we invest in our subsidiaries. We further insulate our financials from interest rate movements, with nearly 90% of our long-term debt being fixed rate or hedged. In addition, nearly \$4 billion of the debt on our balance sheet is under designated construction facilities, which are also non-recourse to the Parent Company, but are backed by projects that don't yet generate earnings or cash. When a project reaches commercial operations, approximately half of this construction debt will be repaid with cash generated from the monetization of tax attributes, leading to a significantly lower long-term leverage profile on projects in operation. As a result, recourse debt to the AES Parent is only 18% of total leverage.

Using an example of a typical US solar-plus-battery project on Slide 22. We've centered our strategy around a capital-efficient model which quickly recycles cash, enabling the rapid growth we've achieved in recent years. First, when we place a project in service, we pay down at least 40% of a project's capital cost with tax equity partnerships and tax credit transfers. Our projects typically benefit from the Investment Tax Credit, which provides an attractive, upfront cash return on our investment and significantly reduces net Parent cash requirements. We fund an additional approximately 40% using fixed rate, amortizing, non-recourse debt, which is Investment Grade rated. In order to insulate project returns from changes in interest rates, we pre-hedge this expected debt issuance when we sign a PPA. We currently have nearly \$9 billion of outstanding interest rate hedges on our balance sheet, most of which relate to our US renewables business.

With respect to equity requirements for US renewables, our development partner, Alberta Investment Management, or AIMCo, contributes 25% of equity capital needs. Once a project is completed, we typically bundle it into an operating portfolio and sell down a large minority stake at an attractive premium and recover most, if not all, of the upfront Parent equity investment in the project.

The end result is a material ownership in a high-quality long-term renewables project with little net cash invested and de minimis risk to our balance sheet. This model allows us to grow rapidly while maintaining an Investment Grade credit rating, and ensures our financial results are not sensitive to changes in interest rates.

Now, turning back to our first quarter results, we've had a tremendous start to the year, making significant progress toward all of our financial targets. We expect to continue the momentum in the year-to-go, as we complete our remaining 3 GW of new projects, and continue growing the rate base at our US utilities, while maintaining a low-risk, highly efficient capital structure and funding plan.

With that, I'll turn the call back over to Andrés.

Andrés Gluski: Thank you, Steve. Before we open up the call for questions, I would like to sum up the highlights of the quarter.

We had a strong first quarter, in line with our expectations. Our earnings and cash flow are now more evenly balanced throughout the year, as our US renewables business matures.

Our performance demonstrates, yet again, our ability to execute and that our financial results are not sensitive to higher interest rates.

Our financial model is proving very resilient, as we see ample supply of non-recourse project finance debt, as well as strong demand for tax attributes and project equity from minority partners. In addition, our asset sales program is on track, representing an important component of our capital-efficient growth model, which may even eliminate our need for issuing corporate equity through our long-term guidance period. Our stock would have to reach much higher valuation before new Parent equity would even be considered several years in the future.

We see strong and accelerating demand for renewables in our core markets and are pleased to be in a leading position with the largest segment of growth, data centers. We are also executing well on our construction program and have virtually all of the major equipment we need for 2024 onsite and the majority of what we need for 2025, as well. Our supply chain management continues to support our best-in-class track record of delivering new renewable projects on time and on budget.

In closing, we are once again delivering on our strategic objectives and financial guidance and are uniquely well-placed to be one of the winners of the energy transition.

Operator, please open up the line for questions.

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